



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



FLORIDA SINGLE AUDIT ACT Multi-Agency Operational Audit

SUMMARY

To establish accountability over State resources provided to nonstate organizations, the 1998 Legislature enacted the Florida Single Audit Act (FSAA). The purpose of the act is to establish uniform State audit requirements for nonstate entities receiving State Financial Assistance (SFA); promote audit economy and efficiency; ensure State agency monitoring, use, and follow-up of audits of SFA; provide identification of SFA; promote sound financial management of SFA; and improve coordination between State agencies providing SFA and nonstate entities receiving SFA.

The FSAA requires each nonstate entity that expends \$500,000 or more of SFA in any fiscal year to have a State single audit (audit of the financial statements and SFA) or project-specific audit conducted by an independent auditor. Upon completion of the audit, a copy of the nonstate entity's Financial Reporting Package (FRP) must be filed with the State agency(s) that provided the SFA and the Auditor General.

Our audit focused on the State's implementation of the FSAA for the period July 2002 through January 2004 and selected activities occurring since July 2000. State agencies have made progress toward implementing the FSAA. However, we noted areas in which implementation and compliance with the FSAA should be enhanced and clarifications to the FSAA should be made.

Finding No. 1: The Executive Office of the Governor (EOG) should ensure staff availability and procedures are sufficient to provide timely and accurate information on its FSAA Web site. Each time updates are made to the Catalog of

State Financial Assistance (CSFA) and State Projects Compliance Supplement (CS), the revision date should be added to the documents. Additionally, better communication and coordination procedures between EOG and other State agencies are needed to ensure timely, accurate information in the CSFA and the CS.

Finding No. 2: To provide efficient and effective identification and reporting of SFA provided to nonstate entities, the Department of Financial Services should ensure that, with implementation of the State's new accounting system, State agencies are required to uniformly code SFA transactions.

Finding No. 3: State agencies should improve the analysis of State resources and identification of State projects for which the FSAA applies. Additionally, EOG and other State agencies should consider additional training and guidance to ensure State agency personnel have adequate knowledge and understanding to accurately identify State projects and recipient versus vendor relationships.

Finding No. 4: To provide nonstate entities with information needed to comply with the FSAA, State agencies should include all appropriate information in awarding documents that establish the relationship with the nonstate entity.

Finding No. 5: EOG and the other State agencies should ensure sufficient guidance is provided to prevent independent auditors and State agency monitors from performing the same procedures. Additionally, EOG should provide additional State agency training and guidelines to assist State Agencies in designing CS requirements and the provisions of contracts, grants, etc.

Finding No. 6: State agency monitoring policies and procedures should be enhanced to ensure FRPs are timely received and appropriately reviewed, corrective actions are taken, and reliable information is available for future program funding and policy decisions. Additionally, State agencies should design on-site monitoring procedures relative to perceived risks after taking into consideration procedures and findings of independent auditors.

Finding No. 7: State agencies should ensure adequate communication and guidance is provided to recipients of SFA to ensure the FSAA requirements are passed to subrecipients and that recipients are aware of appropriate subrecipient monitoring methods. Additionally, the Legislature should consider amending the FSAA to clarify that awarding nonstate entities have the responsibility to ensure that subrecipients properly comply with the FSAA.

Finding No. 8: EOG should include guidelines in its Rules or seek appropriate legislative changes to the FSAA, to address the applicability of the FSAA as it relates to State projects for which SFA is provided to a nonstate entity that has no, or extremely limited, required activities related to State project administration, but in turn provides SFA to a nonstate entity for which the FSAA should apply.

Finding No. 9: For State projects in which more than one State agency participates in project administration, the Legislature should consider amending the FSAA to place FSAA responsibilities with the State agency primarily responsible for the operations and outcomes of the State project.

Finding No. 10: The Legislature should consider instances for which audited information is required by statutes other than the FSAA and make modifications, as determined necessary, to prevent inconsistent and redundant audit requirements while ensuring needed information is obtained through an efficient audit process. This consideration should also be incorporated in the development of future legislation that addresses audit requirements.

Finding No. 11: To provide additional guidance and clarification for the implementation of the FSAA, the Legislature should consider amending Section 215.97, Florida Statutes, to:

- More clearly define the term “local governmental entity.”

- Include nonstate entities that expend SFA less than the FSAA threshold amount in the provision that requires a State agency to fund the audit, if the State agency otherwise requires an audit.
- Require each State agency that awards SFA to establish a “single audit liaison” within the agency.
- Designate the State agency that accounts for the greatest amount of SFA expenditures as the “coordinating agency” for purposes of assisting in resolving findings and recommendations that are not specific to a particular State agency.

BACKGROUND

As the trend to move State services and functions to local governments and the private sector increases, the State’s need to ensure that State resources are efficiently used to achieve State goals and objectives becomes more imperative. To establish accountability over State resources provided to nonstate organizations, the 1998 Legislature enacted the Florida Single Audit Act¹ (FSAA). The purpose of the FSAA is to:

- Establish uniform State audit requirements for nonstate entities² receiving State Financial Assistance (SFA). SFA is State resources³ provided to nonstate entities to carry out a State project.
- Promote audit economy and efficiency.
- Ensure State agencies monitor, use, and follow-up on audits of SFA.

¹ Section 215.97, Florida Statutes (became effective for the fiscal year ending June 2001)

² Local governments, nonprofit organizations, and for-profit organizations (District school boards and community colleges are exempt from the FSAA.)

³ Excludes Federal financial awards and related State match, and resources used to procure goods and services from vendors. SFA may be in many forms such as cash, food commodities, insurance, investments, loans, loan guarantees, property, tax credits or tax refunds and may be conveyed through direct appropriations, cooperative agreements (contracts), or grants.

- Provide identification of SFA in State appropriations, State accounting records, and recipient organization records.
- With respect to SFA, promote sound financial management including effective internal controls.
- Improve coordination and cooperation within and between State agencies providing SFA and nonstate entities receiving SFA.

The FSAA requires each nonstate entity that expends \$500,000⁴ or more of SFA in any fiscal year to have a State single audit (audit of the financial statements and SFA) or, if a nonstate entity expends SFA for only one State project during the fiscal year, a project-specific audit (does not include audit of the financial statements). Upon completion of the audit, a copy of the nonstate entity’s Financial Reporting Package (FRP) must be filed with the State agency(s) and the Auditor General.

The FSAA establishes responsibilities for the Executive Office of the Governor (EOG), Department of Financial Services (DFS), State agencies, recipients/subrecipients of SFA, and independent auditors whose clients receive SFA. As described below, our review of the implementation and execution of the FSAA disclosed areas in which enhancements are needed to ensure proper accountability over and reporting of SFA.

FINDINGS AND RECOMMENDATIONS

Executive Office of the Governor

In accordance with the FSAA, EOG adopted rules⁵ that provide guidelines for State agencies, recipients, subrecipients, and independent auditors of SFA.

⁴ \$300,000 for nonstate entity fiscal years ending prior to September 30, 2004

⁵ Chapter 27D-1, Florida Administrative Code, describes the applicability of the FSAA, identifies types of SFA, provides characteristics associated with recipient and vendor relationships with nonstate entities, and establishes criteria for determining major State projects and selecting State projects for audit based on inherent risk.

Additionally, EOG is responsible for coordinating the initial preparation and revisions of the Catalog of State Financial Assistance (CSFA) and the State Projects Compliance Supplement (CS). The CSFA is a comprehensive listing that identifies State projects; responsible State agencies; legal authorization; and descriptions of projects, including objectives, restrictions, application and awarding procedures, and other relevant information. The CS provides, for State projects, the significant compliance requirements, eligibility requirements, matching requirements, suggested audit procedures, and other relevant information which are to be used primarily as part of the audit process.

**Finding No. 1:
Updating the CSFA and the CS**

EOG’s Web site includes a page⁶ that provides information pertinent to the FSAA, including links to the CSFA and the CS. The completeness and accuracy of these documents are important because they should provide a comprehensive inventory of all State projects that helps ensure proper utilization and accountability of SFA and provide related information for use by the Legislature, State agencies, recipients, subrecipients, and their independent auditors. However, as shown in the following examples, the EOG Web site did not always reflect the updates that had been submitted by State agencies:

State Agency	CSFA No.	Deficiency
EOG	31.003, 31.005	Supplement - Errors not corrected
DEP	37.060	Catalog - Project not included
	37.023	Catalog - Project needed deleting
	37.039	Supplement - Matrix not complete
DCA	52.005, 52.019	Catalog - Projects needed deleting
DOT	55.018	Supplement - Errors not corrected
DCFS	60.057, 60.028-60.034	Supplement - Projects not included
	60.004, 60.005, 60.009-60.012	Catalog - Projects needed deleting
DOEA	65.002, 65.004, 65.006, 65.007	Supplement - Errors not corrected

(See Exhibit 1 for acronym legend)

⁶ www.fsaa.state.fl.us

According to EOG personnel, staffing shortages and Web site problems caused delays and inaccuracies in the information presented.

We also noted instances in which State agencies had not provided EOG with updated or corrected information (e.g., incorrect or missing State projects, compliance requirements, budget entities, appropriations, legal authorization, and contract references). Exhibit 1 of this report provides a summary by agency.

Recommendation: EOG should ensure staff availability and procedures are sufficient to provide timely and accurate information on its FSAA Web site. Each time updates are made to the CSFA and CS, the revision date should be added to the documents. We also recommend EOG and other State agencies enhance communication and coordination procedures to timely identify and report FSAA information on the Web site.

Department of Financial Services

As required by the FSAA, the Department of Financial Services (DFS) promulgated rules⁷ to provide guidance related to the format of the Schedule of Expenditures of State Financial Assistance (SESFA). The SESFA identifies the amount of SFA a nonstate entity expended by State project during the entity’s fiscal year. The audited SESFA and related note disclosures are to be included as part of the entity’s Financial Reporting Package (FRP). Additionally, the FSAA required DFS to make enhancements to the State’s accounting system (FLAIR) to identify SFA and associated State projects, as well as the type of organization⁸ that is a party to each transaction.

**Finding No. 2:
Accounting for SFA**

In fulfilling its FSAA responsibilities, DFS modified FLAIR by creating two new fields for State agencies to record the CSFA number and recipient type, established a standard object code for SFA, and in April 2000, provided State agencies instructions for coding SFA transactions using the new fields and object code.

The appropriate use of a uniform coding structure is important because it provides a means to readily identify and report the amount of SFA provided to a nonstate entity. However, many agencies did not always correctly use the standard coding structure (See Exhibit 1). Although two agencies (Department of Children and Family Services and Department of Corrections) used agency-unique coding schemes that provided the agencies the ability to identify SFA provided to each nonstate entity, the absence of uniform accounting for SFA prevents the State from accurately determining the amount of SFA provided to nonstate entities, which in turn limits information for decision making.

Additionally, upon request for the amount of SFA provided to a nonstate entity, DFS personnel provide a service to nonstate entities and their independent auditors by performing a query of FLAIR data based on the standard coding scheme. However, since all agencies do not use the standard scheme or do so improperly, the integrity of the amounts reported to nonstate entities or their auditors is limited.

The State is currently developing a new State accounting system (ASPIRE) that will replace FLAIR.⁹ Managers of the system development project have indicated that ASPIRE will provide the functionality necessary to record and report SFA.

⁷ Chapter 69I-5, Florida Administrative Code

⁸ Local governmental agencies, nonprofit, and for-profit organizations

⁹ Agency conversions are anticipated to begin in the 2005-06 fiscal year.

Recommendation: As the State’s functional owner of ASPIRE, DFS should continue to monitor ASPIRE development to ensure appropriate accounting and reporting of the SFA provided to each nonstate entity. State agencies should be required to code SFA transactions uniformly upon conversion to ASPIRE. With the implementation of ASPIRE, DFS should also consider developing a Web-based function to provide stakeholders (nonstate entities, independent auditors, State agencies, etc.) the ability to query and obtain the amount of SFA provided to a nonstate entity, thereby eliminating the manual reporting of the information by DFS staff.

State Agencies

The FSAA requires State agencies to provide recipients information needed to comply with requirements of the FSAA and to review each recipient’s FRP to the extent necessary to determine whether timely and appropriate corrective action has been taken with respect to audit findings and recommendations pertaining to SFA provided by State agencies.

**Finding No. 3:
Determining FSAA Applicability**

The FSAA and its requirements apply to relationships between State agencies and nonstate entities that meet two criteria:

- State resources are used for a State project that has been assigned a State project number identifier in the CSFA.
- Resources are provided to a nonstate entity that is considered a recipient rather than a vendor. Exhibit 2 describes the characteristics that determine whether a recipient relationship exists between a State agency and a nonstate entity.

Since the State budget process does not necessarily appropriate or allocate State resources at the State project level, identifying what constituted a State

project became a difficult task during the early phases of implementing the FSAA. Additionally, during the early phases, the absence of clear guidelines as to how to differentiate recipients from vendors led some State agencies to categorize many nonstate entities as vendors. As a result, an EOG workgroup¹⁰ developed the following for use by State agencies:

- The *Florida Single Audit Act State Project Determination Checklist* (SPDC) to analyze the purpose and use of State resources and to identify State projects.
- The *Florida Single Audit Act Checklist for Nonstate Organizations – Recipient/Subrecipient vs. Vendor Determination* (CRVD) to analyze State agency relationships with each nonstate entity.

Implementation of the SPDC and CRVD became effective January 2002, and training was provided by EOG. Generally, the State agencies have appropriately implemented and used the SPDC and CRVD, or other acceptable methodologies. However, our tests disclosed (See Exhibit 1):

- For 8 of the 202 State projects reviewed, State resources had not been properly analyzed by five State agencies to determine whether a State project should be added to the CSFA. For two of the five agencies, the instances were related to tax credits and are further discussed in Finding Nos. 8 and 9.
- For 13 of the 226 awarding documents reviewed, three State agencies did not complete, did not complete timely, or did not complete correctly the CRVD.

We recognize that the instances noted represent a small portion of the effort that State agencies’ have undertaken to identify the applicability of the FSAA. However, failure to appropriately identify all State projects, and determine whether resources are being

¹⁰ Staff from the EOG, DFS, and various State agencies participated. The Auditor General’s staff provided technical assistance, as authorized by the FSAA.

provided to a recipient of SFA, lessens the State's ability to account for SFA and realize the benefits provided by the FSAA.

Recommendation: State agencies should ensure that appropriate processes are in place to analyze State resources and identify State projects and recipient versus vendor relationships. Additionally, EOG and other State agencies should consider additional training and guidance to ensure State agency personnel have adequate knowledge and understanding to accurately identify State projects and recipient versus vendor relationships.

**Finding No. 4:
Communicating Requirements to Recipients**

To properly administer a State project, plan for the required audit, and ensure compliance, recipients of SFA must be aware of the applicability of the FSAA and associated requirements. The best means for State agencies to document conveyance of the FSAA requirements to SFA recipients is to include pertinent information in contracts, grants, or other written documents that establish the relationship between the State agency and the nonstate entity. However, in response to our survey, recipients of SFA and their independent auditors frequently responded that it took moderate to significant effort to identify SFA due to insufficient information in the contracts or other documents and that they sometimes encountered problems when contacting State agency personnel due to lengthy response times and lack of knowledge or understanding by State agency personnel.

To help State agencies ensure all pertinent information is included in their agreements, EOG has on its Web site a standard contract language document that includes FSAA requirements for monitoring, audits, disclosure of Federal and State funding sources, and compliance requirements associated with the funding sources.

Our review of 226 contracts, grants, or other awarding documents disclosed 42 instances in which 8 State

agencies did not include all information related to FSAA requirements. For 23 of the 42 instances, 6 State agencies did not amend preexisting contracts to include the information related to the FSAA (See Exhibit 1).

Recommendation: State agencies should ensure adequate procedures are in place to verify that all appropriate information needed by nonstate entities to comply with the FSAA is included in awarding documents that establish relationships with nonstate entities. To assist nonstate entities in locating pertinent FSAA information, State agencies should consider including in each awarding document, EOG's FSAA Web site address or a link thereto. Additionally, EOG and other State agencies should consider implementing additional training and guidance to ensure State agency personnel have sufficient knowledge and understanding of the practical application of the FSAA.

**Finding No. 5:
Designing Compliance Requirements**

Some State agencies have the responsibility to perform audit and monitoring procedures as part of their statutory assigned responsibilities. For example, the Department of Revenue (DOR) performs some audit procedures prior to approving certain tax credits and tax refunds and EOG is responsible for ensuring appropriate procedures are performed prior to approving eligibility for some State projects. In response to our interviews, State agency personnel expressed concerns of the possibility that the FSAA may result in independent auditors performing procedures similar to those of the State agencies, thereby resulting in duplication of effort.

To identify the significant compliance requirements for which the State will receive audited information, State agencies are responsible for developing compliance criteria and other related information for inclusion in the CS. In designing FSAA audit procedures, independent auditors rely on the information contained in the CS and general instructions provided on the EOG Web site to

identify the significant compliance requirements that should be included within the scope of the audit. Therefore, the proper design of compliance requirements and suggested audit procedures is imperative to ensure independent auditors are not required to perform the same or similar procedures as those performed by State agencies, thus allowing independent auditors to concentrate their efforts on internal controls and those issues for which the State requires assurance as to compliance and accountability.

In response to our survey, independent auditors responded that identifying CS requirements is moderate to difficult and that it would be helpful if the CS included specific guidance for more State projects.

Recommendation: State agencies, in the design of compliance requirements, and EOG, in its oversight of the CS, should ensure sufficient guidance is provided to prevent independent auditors and State agency monitors from performing the same procedures. For State projects in which State agencies perform certain audit procedures, the CS should clearly identify suggested audit procedures that independent auditors should perform, as well as procedures the independent auditor may exclude. Additionally, EOG should consider additional State agency training or guidelines to assist in the design of CS requirements and the provisions within awarding documents.

Finding No. 6: Monitoring SFA

In an environment in which government services are provided by nonstate entities, government agencies' responsibility shifts from direct service provision to strategic planning and oversight. Effective oversight includes several forms of monitoring (e.g., ongoing desk reviews of program and fiscal reports, review of documentation to support invoice approval, on-site visits, and desk review of independent audit reports).

An important aspect of the FSAA is the provision of audited information (i.e., FRP) to the State regarding the nonstate entities' compliance with State project

requirements, deficiencies in internal controls noted by the independent auditor, and the amount of SFA expended by the nonstate entity in conducting the State project. To ensure FRPs are timely received and appropriately reviewed, that corrective actions are taken and reliable information is available for future program funding and policy decisions, an effective FRP review function includes certain attributes. Such attributes include written policies and guidelines for reviewing a FRP; a method to track FRPs that are due, received and reviewed; and documentation of the State agency's actions to obtain FRPs not received, review of the FRPs, and follow-up actions taken to ensure appropriate corrective action. Our review of 12 State agencies' SFA monitoring disclosed 11 agencies for which one or more of the above monitoring attributes were not implemented, or documented, or for which established policies and procedures were not followed (See Exhibit 1).

On-site monitoring can provide State agencies with additional assurances that cannot be achieved by desk reviews (e.g., more comprehensive interviews with recipient staff and review of records). However, as similarly noted in Finding No. 5, several recipients responded to our survey indicating that procedures performed by State agency monitors appeared to duplicate procedures performed by their independent auditors, particularly in the areas of reviewing policies and procedures and internal controls.

Recommendation: State agencies should ensure adequate SFA monitoring policies and procedures are in place and operating effectively. To assist in identifying those nonstate entities required to submit a FRP, EOG and the other State agencies should consider implementing a means (possibly Web-based) for nonstate entities to certify whether they have expended SFA in excess of the FSAA threshold and will submit a FRP. Additionally, State agencies should design their on-site monitoring procedures relative to perceived risks after taking into consideration procedures and findings of independent auditors.

Recipients and Subrecipients

Finding No. 7: Communicating Requirements to Subrecipients

The requirements of the FSAA are to follow SFA as it passes down through recipient and subrecipient relationships. As discussed in Finding No. 4, State agencies are responsible for ensuring that recipients of SFA are aware of their FSAA responsibilities, including that recipients ensure FSAA requirements are passed to subrecipients. In response to our surveys, independent auditors and State agency personnel frequently indicated that recipients were not aware or did not have a good understanding of their responsibilities related to monitoring subrecipients. State agency personnel often indicated they were uncertain as to whether recipients have a good understanding of their FSAA responsibilities, and recipients responded that they would like more guidance on monitoring activities.

Recommendation: State agencies should ensure adequate communication and guidance is provided to recipients of SFA to assure the requirements of the FSAA are passed to subrecipients and that recipients are aware of appropriate subrecipient monitoring methodologies (e.g., desk reviews of program and fiscal reports, reviews of documentation to support invoice approval, and on-site visits) that should be conducted. Additionally, the Legislature should consider amending the FSAA to clarify that awarding nonstate entities have responsibilities to ensure that subrecipients properly comply with the FSAA.

Independent Auditors

When conducting a State single audit, the FSAA requires independent auditors of nonstate entities to, among other things, determine whether the nonstate entity's financial statements and SESFA are presented fairly; that the nonstate entity has internal controls in place to provide reasonable assurance of compliance with laws and rules pertaining to SFA; that the

nonstate entity complied with laws, rules, and guidelines identified in the CS or otherwise identified by the State agency; and to report the results of the audit.

In June 2004, we issued report No. 2004-203 that included findings related to our reviews of 272 FRPs submitted pursuant to the FSAA by nonstate entities other than local governmental entities. Additionally, in July 2004, we issued report No. 2005-001 in which we reported the results of our review of 945 local governmental entity audit reports submitted pursuant to Section 218.39, Florida Statutes. Findings included in those reports, as they related to the responsibilities of independent auditors, included:

- Seventeen audits were performed by 15 auditors who did not hold active licenses or temporary permits issued by the Florida State Board of Accountancy.
- FRPs completed with apparent lack of compliance with government auditing standards, generally accepted accounting principles, or Chapters 10.550 and 10.650, Rules of the Auditor General. Examples of noncompliance included 87 audit reports not including notes describing the significant accounting policies used in preparing the SESFA and 30 audit reports in which the SESFA was not combined with the Schedule of Expenditures of Federal Awards.

Rule and Statutory Clarification

During our audit, we noted instances in which EOG rules, FSAA, and other statutes were unclear, inconsistent, or provided conflicting audit requirements.

Finding No. 8:**Recipients with No or Limited Compliance Requirements**

The FSAA and EOG rules address the predominant flow of SFA from the State down to recipients and subrecipients, with each level having the responsibility of ensuring that the requirements of the FSAA are passed down. However, the FSAA and EOG rules do not address situations in which SFA is provided to an entity that has no, or extremely limited, required activities related to the administration of the associated State project, but in turn provides the resources to a nonstate entity for which the FSAA should apply. For example, the Community Contribution Tax Credit Program and the Tax Credits for Contributions to Nonprofit Scholarship-funding Organizations Program provide tax credits to organizations that make donations to nonprofit entities that serve public purposes (i.e., revitalization of enterprise zones and scholarships to qualified students, respectively).

In these examples, the organizations making the donations would be the recipients and the nonstate entities would be subrecipients. However, since the only requirement of the organizations is to make a donation to a nonstate entity, requiring the organizations to comply with all FSAA requirements does not appear prudent. Conversely, since the nonstate entities receiving and expending the resources serve public purposes, it appears the requirements of the FSAA should apply.

Without clarification of how to apply the FSAA to State projects fitting the above-described scenario, State project determination is hindered, the requirements of the FSAA are applied inconsistently, and the FSAA may act as a disincentive to organizations' willingness to participate in the State projects.

Recommendation: EOG should incorporate guidelines in its Rules or seek appropriate legislative changes to the FSAA, to address the

applicability of the FSAA as it relates to State projects for which SFA is provided to a nonstate entity that has no, or extremely limited, required activities related to the administration of the associated State project, but in turn provides SFA to a nonstate entity for which the FSAA should apply.

Finding No. 9:**Multi-Agency Administration**

As discussed in Finding No. 3, State agencies must analyze State resources to identify State projects and determine the compliance requirements associated with the projects. The FSAA defines the State agency as "the State agency that provides SFA to the nonstate entity." However, this definition does not take into account, and the FSAA does not address, situations in which one State agency is responsible for disbursing the SFA, while other State agencies actually administer the program. For example, EOG Rules stipulate that SFA may be in the form of tax credits and tax refunds which are generally provided to nonstate entities by the DOR. However, the State projects associated with the credits and refunds are actually the responsibility of other agencies (e.g., Corporate Tax Credit Scholarship Program (DOE), Hazardous Waste Facility Recycling Program (DEP)). Another example is the Environmental Mitigation Program that authorizes DOT to transfer funds to water management districts for projects that are administered by DEP. As a result, confusion as to which agency should be responsible for performing the duties has caused some State projects to not be identified and the FSAA requirements to not be properly applied.

Recommendation: For projects in which more than one State agency participates in project administration, the Legislature should consider amending Section 215.97, Florida Statutes, to place FSAA responsibilities with the State agency primarily responsible for the operations and outcomes of the State project.

**Finding No. 10:
Conflicting Audit Requirements**

The intent of the FSAA is to promote audit efficiency for nonstate entities that receive SFA for multiple State projects by requiring one single audit rather than multiple audits for each State project. However, the statutes contain audit requirements for nonstate entities for which the FSAA also applies. For example:

Statute Section	Requirement	CSFA Number
288.7091(10)	The Florida Black Business Investment Board, Inc., is required to provide an annual financial audit with the report.	31.001
744.708(5)	Public Guardians are to have an independent audit performed at least every 2 years.	65.003
1009.51(4)(e) 1009.52(4)(e)	Each institution that receives moneys through the Florida Student Assistance Grant Program is required to prepare a biennial report that includes a financial audit.	48.054

Under the provisions of the FSAA, a nonstate entity is not required to obtain a State single audit if it expends less than \$500,000 of SFA during a fiscal year. However, in certain instances, the Legislature may wish to ensure the receipt of specific audited information for selected nonstate entities (e.g., entities that are formed and exist through statutory authorization) regardless of the FSAA threshold. In such instances, the statutes should clearly identify the audited information required and the protocol related to the FSAA.

Recommendation: The Legislature should consider instances for which audited information is required by statutes other than the FSAA and make modifications, as determined necessary, to limit inconsistent and redundant audit requirements while ensuring needed information is obtained through an efficient audit process. This consideration should also be incorporated in the development of future legislation that addresses audit requirements.

**Finding No. 11:
Clarifying FSAA Provisions**

The FSAA authorizes the Auditor General to provide technical advice upon request by EOG, DFS, and other State agencies. As a result, our Office has fielded questions related to FSAA implementation since the FSAA became effective for the fiscal year ended June 2001. Based on information gathered while providing technical assistance, we have identified the following areas for which legislative revision is needed:

- The definition of “local governmental entity” should be amended to apply only to Florida local governments, not local governments outside of the State. Additionally, the term should exclude charter schools and public universities, similar to the exception for district school boards and community colleges. The definition should also clarify that counties should be considered “as a whole” rather than individual constitutional officers.
- Nonstate entities that expend SFA less than the FSAA threshold amount should be specifically included in the provision that requires a State agency to fund the audit, if a State agency requires an audit subject to the FSAA.
- The FSAA should require each State agency to designate a “single audit liaison” within the agency. This provides a contact person for internal and external users. The liaison could be located in any of the following offices that are potential users of the audit reports: finance and accounting, grants management, program administration, legal, budget, inspector general, etc.
- The FSAA should require the State agency that accounts for the greatest amount of SFA expenditures to be designated as the

“coordinating agency” for the purposes of assisting in resolving certain audit findings. Under current law, for example, if a nonstate entity expended funds from five awarding agencies, each agency would have to review and provide feedback to resolve those findings and recommendations that are not specific to a particular State agency. By designating one responsible agency, the nonstate entity would only receive instructions from one State agency instead of multiple State agencies, thereby improving understandability and efficiency.

Recommendation: In addition to the recommended statutory changes described in Findings No. 7, 9, and 10, we recommend the Legislature amend Section 215.97, Florida Statutes, to address the above-noted issues.

RELATED MATTERS

Under an interagency memorandum of agreement between EOG and DCA, DCA accepted responsibility for administering EOG’s Office of Urban Opportunity (OUO). OUO administers the Front Porch Florida Program (FPFP) which was designated as a State Project (CSFA No. 31.007).

During our audit, we noted that the former Director of the OUO (October 23, 2000, through September 19, 2003) also chaired the Board of Directors of Keep Florida Beautiful, Inc. (KFB), a nonstate entity that received FPFP SFA under contract with the OUO. The former Director had signed a memorandum to recuse herself from any and all matters (including funding, subgrants, or other contracts) between the OUO and KFB. However, we noted instances in which the former Director signed a contract between the OUO and KFB and approved invoices for payment to KFB (invoices also included approval by others).

Chapter 2004-243, Laws of Florida, authorized the transfer of the OUO to DCA by a Type 2 transfer,

effective July 1, 2004. According to DCA personnel, as of that date, DCA took steps to assure that OUO agreements and contracts are subject to the same routing and approval process as other DCA programs. Additionally, as of September 22, 2004, DCA personnel were working with KFB to ensure appropriate administration of KFB contracts.

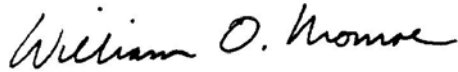
OBJECTIVES, SCOPE, AND METHODOLOGY

The scope of the audit focused on the implementation of the requirements of Section 215.97, Florida Statutes, the Florida Single Audit Act (FSAA). Our objectives were to evaluate the State agencies’ performance in administering assigned responsibilities and determine the extent selected agencies’ management controls promoted the achievement of management objectives related to compliance with the FSAA, administrative rules, and other guidelines; the economic, efficient and effective operations of State government; the validity and reliability of records and reports; and the safeguarding of assets.

We conducted preliminary planning procedures (interviewed personnel and reviewed selected documentation) at 27 State agencies. Based on the results of those procedures, we selected 12 State agencies for additional testing (See Exhibit 1 for list of selected agencies). As part of these additional tests we interviewed State agency personnel, observed processes and procedures, performed tests of transactions and records, and performed various other procedures as determined necessary. Additionally, we administered three separate surveys to solicit information from State agencies, recipients of SFA, and independent auditors. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2002 through January 2004, and selected actions occurring since July 2000, the effective date of the FSAA.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

AUDITEE RESPONSES

In response to our findings, State Agency management generally concurred with our recommendations. In some cases, the responses included explanations, corrective actions, and suggested FSAA changes and improvements to be considered in future administration and implementation of the FSAA. For example:

- In response to our recommendation (Finding No. 6) for the EOG and State agencies to consider implementing a means (possibly Web-based) for nonstate entities to certify whether they have expended SFA in excess of the FSAA threshold and to submit a financial reporting package, EOG management indicated that implementing the recommendation may be outside the EOG's responsibilities outlined in the FSAA.
- In response to Finding No. 5, DOR management indicated that they believe tax credits and refunds should not be considered as SFA. In fulfilling their statutory responsibility of regulating, controlling, and administering all revenue laws and performing duties assigned by the various tax statutes, they believe adequate accountability for State tax credits and refunds is provided and that they do not see additional testing that could be shared between independent auditors and DOR tax auditors. Additionally, in response to Finding No. 6, DOR management

indicated that all information contained in returns, reports, accounts, or declarations received by the DOR are exempt from Section 119.07, Florida Statutes (Public Records Law), and as such, could not be posted on Web sites open to the public.

All responses may be viewed in their entirety on the Auditor General Web site. You may click on the following links to access specific agency responses:

[Department of Agriculture and Consumer Services](#)

[Department of Children and Family Services](#)

[Department of Community Affairs](#)

[Department of Corrections](#)

[Department of Education](#)

[Department of Elder Affairs](#)

[Department of Environmental Protection](#)

[Department of Financial Services](#)

[Department of Health](#)

[Department of Juvenile Justice](#)

[Department of Revenue](#)

[Department of Transportation](#)

[Executive Office of the Governor](#)

Exhibit 1

Findings Summary by State Agency

Finding Number	Problem	State Agency											
		DACS	DCA	DCFS	DEP	DJJ	DOC	DOE	DOEA	DOH	DOR	DOT	EOG
1	Agency did not always provide EOG with correct information for updating the Catalog of State Financial Assistance and the State Project Compliance Supplement.			X					X	X			X
2	Agency did not always properly code State Financial Assistance in its FLAIR accounting records.	X		X			X	X	X	X	X	X	
3	Agency did not always properly complete the <i>State Project Determination Checklist</i> or the <i>Checklist for Nonstate Organizations - Recipient/Subrecipient vs. Vendor Determination</i> .			X	X			X		X		X	
4	Agency did not always include appropriate language in its new contracts, grants, or other cooperative agreements to adequately convey all FSAA requirements to recipients of State Financial Assistance.				X	X	X		X	X		X	
4	Agency did not always amend preexisting contracts to include FSAA requirements.		X		X	X				X		X	X
6	Agency's procedures for obtaining and reviewing Financial Reporting Packages needed improving.	X	X		X	X	X	X	X	X	X	X	X

- DACS Department of Agriculture and Consumer Services
- DCA Department of Community Affairs
- DCFS Department of Children and Family Services
- DEP Department of Environmental Protection
- DJJ Department of Juvenile Justice
- DOC Department of Corrections
- DOE Department of Education
- DOEA Department of Elder Affairs
- DOH Department of Health
- DOR Department of Revenue
- DOT Department of Transportation
- EOG Executive Office of the Governor

Exhibit 2

Characteristics of Recipient and Vendor Relationships with Nonstate Organizations

A recipient relationship exists when any of the following characteristics apply. The nonstate organization:

- A. Is established or created by State law to carry out a State project.
- B. Determines final eligibility.
- C. Receives funds for a project established by State statute and for which the State agency is authorized to provide funding.
- D. Provides matching funds.
- E. Makes programmatic decisions on behalf of the State.
- F. Uses the funds to carry out its own program or operations.
- G. Receives Federal funds under a similar program for which it is designated a recipient by the State agency.
- H. Is organized primarily for a public purpose.

The following characteristics are indicative of a vendor relationship when the nonstate organization:

- A. Provides services within normal business operations.
- B. Operates in a competitive environment.
- C. Provides similar services to many different purchasers.
- D. Receives payment on a per-unit or per-deliverable basis.
- E. Is awarded the contract based on free and open competition.
- F. Receives Federal funds under a similar program for which it is determined a vendor by the State agency.

Source: Chapter 27D-1.003, Florida Administrative Code

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To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable Government Auditing Standards issued by the Comptroller General of the United States. This audit was conducted by Gail Wright and supervised by Gary Campbell, CPA. Please address inquiries regarding this report to Marcia Maheu, CPA, Audit Manager, via E-mail at marciamahcu@aud.state.fl.us or by telephone at 850-487-9038

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850-487 9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).